

Message Text

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FM AMEMBASSY JAKARTA

TO CINCPAC IMMEDIATE

INFO SECSTATE WASHDC 2220

C O N F I D E N T I A L SECTION 1 OF 3 JAKARTA 0694

CINCPAC FOR POLAD. POLAD PLEASE PASS AMBASSADOR NEWSOM

E.O. 11652: GDS

TAGS: PFOR MASS ID

SUBJECT: SIGNIFICANT DEVELOPMENTS AND COMMENTS RE INDONESIA SINCE
DECEMBER 9, 1975

POLITICAL ITEMS

1. PORTUGUESE TIMOR. PRO-INDONESIANS TOOK FRETILIN STRONG-
HOLDS AILEU (SOUTH OF DILI) DEC 29, AND MANATUTO TOWN (HALF
WAY TO DILI FROM BACAU) DEC 39. ATTACKS NOW FOCUSED ON SOUTH
COAST PORT OF SUAI (PLUS SHELLING OF OTHER TOWNS FURTHER EAST).
FRETILIN STILL HOLDS INTERIOR AREA BETWEEN INDONESIAN BORDER
AND DILI, HAS BEEN MOUNTING STUBBORN DEFENSE AND HAS POTEN-
TIAL FOR PROLONGED AND EXPENSIVE (TO INDONESIANS) GUERILLA
RESISTANCE.

2. FOCUS OF JAKARTA PUBLICITY RE PT HAS SHIFTED FROM BATTLE-
FIELD ACTIVITY TO PREPARATIONS (INCLUDING MEETING WITH SUHARTO)
FOR UPCOMING VISIT OF UN REP. GUICCIARDI WHO ARRIVED JAKARTA
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JAN. 15 AND DEPARTS FOR DILI JAN 18 ACCORDING LATEST REPORTS.

MALIK MADE LIGHTENING VISIT TO DILI, ATAURO AND BACAU (AIR-STRIP ONLY) JAN 9, APPARENTLY AS PART OF PREPARATIONS FOR GUICCIARDI. MALIK TOOK SOME FOREIGN PRESS WITH HIM. PRESS DESCRIBED DILI CONDITIONS AS CONSIDERABLY LESS "NORMAL" THAN PREVIOUS REPORTS SUGGESTED (MOST STORES STILL CLOSED, SUPPLIES VERY LOW, ETC.) AND ALSO NOTED VISIBLE PRESENCE OF UNIFORMED INDONESIAN TROOPS WEARING ARM PATCHES BEARING LEGEND "INDONESIAN VOLUNTEER".

3. GUICCIARDI WILL REPORTEDLY BE GIVEN GUIDED TOUR OF DILI, ATAURO, BACAU AND OE CUSSI ENCLAVE (WHICH ALREADY IN PROCESS OF BEING MERGED INTO EAST NASATENGARA PROVINCE), AND WILL MEET CAPTURED FRETELIN "MINISTERS" AS WELL AS FOUR-PARTY PRO-INDONESIAN LEADERS NOW GROUPED IN "PROVISIONAL GOVERNMENT OF EAST TIMOR" (PG) ANNOUNCED DEC 18. GUICCIARDI WILL NOT VISIT 23 CAPTIVE PORTUGUESE SOLDIERS. (EMBASSY LISBON HAS PRESSED FOR FORMAL US DEMARCHE TO GOI ON PRISONERS, WHICH WE HAVE OPPOSED AS NON-STARTER WHILE CONTINUING MENTION SUBJECT INFORMALLY AT FONOFF AND CSIS WITH NEGATIVE RESULTS.

4. INTERESTING RECENT SIDELIGHT TO PT ISSUE IS THREE-PART B. M. DIAH PIECE FRONT-PAGED MERDEKA JAN 13-15 BLASTING GOI FOR LETTING ITSELF BE ISOLATED (AT U.N. AND AT HOME.) DUE TO EMOTIONAL ANTI-COMMUNISM AND OVERDEPENDENCE ON WEST. MALIK CALLED SUCH STATEMENTS TREASONOUS PRO-PKI SELLOUT BUT BACKED OFF NEXT DAY SAYING CRITICISM WAS THOUGHT-PROVOKING. DIAH COMPARED CURRENT ERA UNFAVORABLY WITH SUKARNO PERIOD, IN STRONGEST PUBLIC ATTACK WE HAVE SEEN RECENTLY AND CLOSEST DIAH HAS COME TO DIRECT CRITICISM OF SUHARTO.

5. HUMAN RIGHTS. IN TRIALS OF CLASS A DETAINEES, FORMER JAKARTA POLICE CHIEF SAWARNO RECEIVED 13-YEAR SENTENCE (5 MORE TO SERVE); TWO MINOR PKI LEADERS IN EAST JAVA WERE GIVEN DEATH SENTENCES FOR 1965-68 ACTIVITIES; PROVINCIAL PROSECUTORS ARE ASKING DEATH SENTENCES FOR VARIOUS LESSER-KNOWN CULPRITS; AND NEXT BIG CASE ON DOCKET IS TRIAL OF FORMER MINISTER OF STATE OEI TJOE TAT.

6. JAKARTA HIGH COURT SPOKESMAN MADE UNUSUAL PREDICTION TO "SINAR HARAPAN" DEC 26 THAT DECISION ON HARIMAN SIREGAR APPEAL CONFIDENTIAL

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WOULD BE ANNOUNCED BEFORE YEAR END. STUDENT CIRCLE RUMORS HAD IT THAT COURT RECOMMENDED REDUCTION OF SENTENCE FROM SIX YEARS TO TWO (I.E., RELEASE JAN '76), BUT THAT OTHER ELEMENTS OF GOI BALKING. RIFT STORY WAS BOLSTERED WHEN SPOKESMAN DEC 31 MADE EMBARRASSED ADMISSION THAT DECISION COULD NOT YET BE ANNOUNCED BECAUSE "AGREEMENT" NOT YET REACHED. WE SUSPECT COURT MAY HAVE BEEN TOLD TO RETHINK DECISIO, WHICH MAY WELL RESULT IN LESS FAVORABLE - AND, IN VIEW OF EARLIER

LEAK, MUCH LESS WELL RECEIVED - ULTIMATE VERDICT.

7. ATTORNEY GENERAL'S PR CHIEF TOLD NEWSMEN JAN 12 HE DID NOT YET KNOW WHETHER CASES OF 13 REMAINING MALARI DETAINEES COULD BE PROCESSED BY END OF MARCH AS ALI SAID HAD HOPED. JUSTICE MINISTER PRIVATELY INDICATES CONTINUED INTEREST IN SETTING UP SOME FORM OF PUBLIC DEFENDER PROGRAM.

8. ASEAN. GOI IS PROCEEDING WITH PREPARATIONS FOR ASEAN BALI SUMMIT, DESPITE DEVELOPMENTS THAT HAVE CLOUDED PROSPECTS FOR MEETING -- SUCH AS GOI ANGER OVER SINGAPOREAN DECISION TO ABSTAIN RATHER THAN VOTE NO ON UNGA TIMOR RESOLUTION, DEATH OF RAZAK, AND CARETAKER STATUS OF THAI GOVERNMENT. NO OFFICIAL APPROACH TO US TO BEGIN ECONOMIC TALKS HAS YET BEEN MADE.

9. EX-LAO ASSETS. WASHINGTON DECIDED AGAINST OFFERING ANY OF EX-LAO ASSETS IN THAILAND TO GOI. H-34'S ORIGINALLY PROPOSED FOR INDONESIA WERE INSTEAD GIVEN TO THAIS AS SWEETENER TO AID IN RESOLVING DISPOSITION OF EX-LAO MILITARY EQUIPMENT IN THAILAND.

10. CODELS. CODEL RANDALL INCLUDED TWELVE REPRESENTATIVES, MOSTLY FROM ARMED SERVICES COMMITTEE, PLUS STAFF AND SOME WIVES. DURING STAY IN JAKARTA JAN 6-8, THEY MET WITH PRESIDENT, DEFMIN, FONMIN, GEN. YOGA, ALI MOERTOPO, AND DPR LEADERS. CODEL ADDABBO, WHICH STOPPED ON WEEKEND OF JAN 10-12, INCLUDED SIX REPRESENTATIVES FROM APPROPRIATIONS COMMITTEE PLUS STAFF. THEY DECLINED ALL OFFICIAL APPOINTMENTS AT LAST MINUTE BUT DID RECEIVE COUNTRY TEAM BRIEFING. BOTH GROUPS WERE PESSIMISTIC ABOUT FUTURE OF AID, ECONOMIC OR MILITARY, BUT CODEL RANDALL SEEMED IMPRESSED WITH IMPORTANCE OF INDONESIA TO US POLICIES IN SEA AND NEED TO PROVIDE SUPPORT WITHIN LIMITS OVERALL FUNDING AVAILABILITIES.

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11. INDONESIA AND LAO-THAI RELATIONS. FONDEPT ASIA PACIFIC DEPUTY AKOSAH INFORMED POLCOUNS DEC 23 THAT INDONESIA HAD RECEIVED UNRELATED INFORMAL REQUESTS FROM LAO AND THAI GOVERNMENTS FOR GOOD OFFICES IN IMPROVING RELATIONS BETWEEN BANGKOK AND VIENTIANE. LAO ALSO ASKED FOR HUMANITARIAN AID BECAUSE OF THEN EXISTING BORDER CLOSURE. AKOSAH SAID GOI WOULD TAKE NO ACTION SINCE FONDEPT POSITION OF NON-INVOLVEMENT HAD BEEN ACCEPTED BY LEADERSHIP.

USAID ITEMS

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O R 160945Z JAN 76

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INFO SECSTATE WASHDC 2221

C O N F I D E N T I A L SECTION 2 OF 3 JAKARTA 0694

CINCPAC FOR POLAD. POLAD PLEASE PASS AMBASSADOR NEWSOM

12. TWO LOANS WERE AUTHORIZED ON DEC 31, CITANDUY RIVER BASIN, \$12.5 MILLION AND CONSULTING SERVICES, \$5 MILLION.

13. RURAL SANITATION LOAN, \$6.8 MILLION, CLEARED THE DLC BUT ACTUAL AUTHORIZATION HAS BEEN DEFERRED DUE TO SHORTAGE OF FUNDS UNDER AID'S CONTINUING RESOLUTION AND NEED FOR CONGRESSIONAL NOTIFICATION TO COVER INCREASE IN SIZE OF LOAN.

14. THE \$5.5 MILLION HIGHER AGRICULTURAL EDUCATION LOAN (MUCIA) HAS ENCOUNTERED SOME DELAYS IN AID/W, BUT IS EXPECTED TO BE AUTHORIZED SOON.

15. DEVELOPMENT TRAINING LOAN PROPOSAL, \$5 MILLION, WAS NOT CLEARED BY BAPPENAS. USAID UNDERSTANDS THAT CONCERN IS WITH LODGING SUCH LARGE AMOUNT WITH SINGLE MINISTRY -- EDUCATION. IF FUNDING NOT USED FOR THIS PURPOSE, IT LIKELY WILL BE LOST TO INDONESIA. ARTHUR GARDINER HAS URGED THE USAID TO TRY TO PERSUADE BAPPENAS TO PROCEED WITH THIS LOAN. MISSION IS FOLLOWING UP WITH GOI.

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16. AID/W HAS AGREED TO SEEK \$50 MILLION FOR FY 77 PROGRAM OF WHICH \$43 MILLION IS LOAN, INCLUDING \$7.3 MILLION FOR ORAL CONTRACEPTIVES. MISSION'S REQUEST FOR INCREASE FROM ONE TO THREE MILLION DOLLARS IN GRANT FUNDED POPULATION ACTIVITIES HAS BEEN HONORED. BKKGN PLEASED WITH PACKAGE AND SEEKING BAPPENAS APPROVAL OC REPEAT OC LOAN.

17. GOI HAS APPROVED NRECA TEAM TO WORK ON RURAL ELECTRIFICATION STUDY. EXPECT GROUP TO ARRIVE WITHIN A MONTH.

18. WITH YOUR APPROVAL USAID EMPLOYMENT LIMITATION HAS BEEN INCREASED TO 59.

19. USAID TEAM OF FIVE INCLUDING DIR AND DEPDIR ATTENDING MAJOR AID RURAL DEVELOPMENT CONFERENCE AT LOS RANOS WEEK OF JAN 25.

MILITARY ITEMS

20. A SIMPLIFIED SECURITY ASSISTANCE PROCEDURE HAS BEEN APPROVED FOR IMPLEMENTATION 1 FEB. IN BRIEF, THE NEW PROCEDURE WILL REDUCE CINCPAC INVOLVEMENT IN ADMINISTRATIVE TRANSACTIONS. MAAG'S WILL DEAL DIRECTLY WITH DSAA OR MILITARY DEPARTMENTS. CINCPAC WOULD MONITOR MESSAGE TRAFFIC AND UNLESS COMMENT WAS RECEIVED WITHIN FIVE WORK DAYS, IT IS TO BE CONSTRUED THAT THE CINC HAS NO OBJECTION. CINCPAC, HOWEVER, DOES RETAIN COMMAND AND ADMINISTRATIVE RESPONSIBILITY OF THE MAAG'S.

21. FY 78-82 SECURITY ASSISTANCE FUNDING PROJECTS. STATE GUIDANCE ON POM FUNDING LEVELS FOR FY 78-82 REFLECT THE SAME GA AND FSM LEVELS CONTAINED IN POM SUBMISSION FOR FY 77-81. THESE LEVELS ARE SUBSTANTIALLY LESS THAN THOSE DISCUSSED DURING SEPTEMBER WASHINGTON MEETING. DSAA IN RESPONSE TO QUERY STATED THAT WHILE DOD CONTINUES TO SUPPORT \$30 MILLION LEVEL HIGHER AUTHORITY MAY DECREASE AS WAS THE CASE IN FY 76. USDLG SUBMISSION WILL REFLECT GRANT AID FOR MATERIAL AT LEVEL DIRECTED BY STATE AND REQUEST INCREASES TO BOTH TRAINING AND FMS.

22. STATUS OF FSM CREDIT. THE GOVERNMENT OF INDONESIA HAS ELECTED TO USE THE TOTAL \$6.5 MILLION CRA FOR THE PURCHASE OF TWO S-61N HELICOPTERS. SIKORSKY HAS EXTENDED THE DEADLINE ON THEIR CONFIDENTIAL

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CONTRACT OFFER TO GOI FOR SIXTY DAYS. DLG WAS INFORMED ON 15 JANUARY THAT HANKAM UNDERSTANDS THE INTEREST RATE WILL BE 7.75 PERCENT WITH A FIVE-YEAR PAYBACK PERIOD. THIS IS THE SAME PAYBACK PERIOD AS THE CONTRACT FOR THE C-130'S. ALTHOUGH THIS MEETS THE HANKAM REQUIREMENT FOR THE INTEREST RATE NOT EXCEEDING 87 PERCENT, THE PAYBACK PERIOD IS CONSIDERABLY LESS THAN

THE TEN YEARS WE HAD ORIGINALLY REQUESTED. IN REGARD TO THE PSMM'S AND THE UH1H HELICOPTERS, HANKAM PREFERS TO DEFER ACTION UNTIL CONGRESSIONAL DECISION ON THE FOREIGN ASSISTANCE BILL.

AGRICULTURAL ITEMS

23. CY 1976 PL-480, TITLE I PROGRAM - GOI OFFICIAL REQUEST FOR A NEW PROGRAM WHICH THE MISSION IS FORWARDING TO WASHINGTON IS FOR TOTAL \$30 MILLION IN AVAILABLE FUNDING TO BE APPLIED AGAINST DESIRED WHEAT PURCHASES FOLLOWED IN ORDER BY COTTON AND RICE.

24. CCC CREDIT SALES PROGRAM FOR COTTON AND WHEAT - BANK INDONESIA ON JANUARY 14 FINALLY RESOLVED LONG-STANDING PROBLEM OF LOCAL BANK HANDLING AND CREDIT TERMS TO MAKE USE OF \$16.2 MILLION CREDIT LINE EXTENDED TO INDONESIA FOR MEETING UMR ON CY 1976 COTTON AGREEMENT. THIS PERMITTED FIRST L/C OPENING FOR COMMERCIAL PURCHASE 45,000 BALES AGAINST 64,000 BALES THAT REMAIN OUTSTANDING. OTHER PURCHASES ARE EXPECTED TO BE FINALIZED SOON. WASHINGTON STILL HAS INDONESIA CREDIT LINE REQUEST FOR 200,000 TONS WHEAT UNDER CONSIDERATION. THIS PROGRAM IS EXPECTED TO BE APPROVED SOON WITH POSSIBLE LESS FAVORABLE REPAYMENT PERIOD OF ONE OR TWO YEARS RATHER THAN THREE YEARS.

ECONOMIC ITEMS

25. FINANCIAL SITUATION. THERE HAS BEEN SOME UNEASINESS AMONG BANKERS ABOUT THE GOI'S ABILITY TO MEET PERTAMINA'S COMMITMENTS, NOTWITHSTANDING ABOUT \$1 BILLION IN BALANCE OF PAYMENTS BORROWING (THE TWO \$425 MILLION MORGAN LOANS, THE \$150 MILLION BANK OF TOKYO LOAN, AND A NEW \$50 MILLION BANK OF TOKYO LOAN SIGNED DECEMBER 10). THE DEFAULT OF ONE OF PERTAMINA'S TANKER CONTRACTS WHICH CAME TO LIGHT IN LATE NOVEMBER, ADDED TO THIS UNEASINESS, ALTHOUGH THE GOI HAS ENSURED PAYMENT. PERTAMINA'S DEBTS AND 20 PERCENT INFLATION HAVE LED TO SOME PRIVATE GUESSING ABOUT DEVALUATION.

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26. FY 76 BUDGET - SUHARTO, IN BUDGET SPEECH JANUARY 7 EMPHASIZED PERTAMINA PROBLEM -- "A BITTER LESSON" THAT MUST NOT RECUR -- CANDIDLY OUTLINING THE DAMAGE. (EARLIER IN HIS NEW YEAR'S ADDRESS, SUHARTO ALSO DWELT ON PERTAMINA AND USED "BITTER LESSON" PHRASE.) OTHER LEADERS, INCLUDING SADLI, HAVE ALSO POINTED UP THE PERTAMINA PROBLEM AS A LESSON FOR AUSTERITY AND DISCIPLINE. SADLI SAID "WE ARE ALL TO BLAME." THE \$8.5 BILLION 76 DRAFT BUDGET IS 29 PERCENT LARGER THAN FY 75. ROUTINE EXPENDITURES WILL RISE A MERE SIX PERCENT IN FAVOR OF A 51 PERCENT INCREASE IN DEVELOPMENT EXPENDITURES, WHICH EXCEED ROUTINE COSTS FOR FIRST TIME. SUHARTO STRESSED FAMILIAR SOCIAL DEVELOPMENT THEME IN HIS SPEECH, BUT DEVELOPMENT BUDGET

STILL EMPHASIZED INFRASTRUCTURE PROJECTS (E.G., \$1 BILLION FOR COMMUNICATIONS). \$1.7 MILLION OR ABOUT 28 PERCENT OF DEVELOPMENT BUDGET COMES FROM FOREIGN AID AND EXPORT CREDITS, A LARGER PERCENTAGE THAN LAST YEAR; OIL TAXES REPRESENT 45 PERCENT OF ENTIRE BUDGET. SUHARTO SAID THE GOVERNMENT WOULD CONTINUE TO PURSUE TIGHT MONEY AND CONTROLS OVER FOREIGN BORROWING TO STEM INFLATION. ALI WARDHANA HAS RE-EMPHASIZED THIS.

27. PERTAMINA REORGANIZATION - ON DECEMBER 6, PRESIDENT SUHARTO ISSUED DECREE NO. 44 WHICH MAKES SEVERAL MAJOR CHANGES IN THE ORGANIZATION OF PERTAMINA. HIGHLIGHTS OF THE DECREE INCLUDE REORGANIZATION OF THE BOARD OF DIRECTORS, CREATION OF A NEW INSPECTORATE POST, AND NEW REGULATIONS ON THE FORMATION OF PERTAMINA AFFILIATES AND JOINT VENTURES. THE DECREE SPELLS OUT A GREATER MANAGEMENT ROLE FOR THE BOARD OF DIRECTORS AND REQUIRES GEN. IBNU, ON BEHALF OF THE BOARD, TO SUBMIT PERIODIC WRITTEN REPORTS TO THE GOI BOARD OF COMMISSIONERS (WHICH REMAINS UNCHANGED). THE NEW INSPECTORATE WILL HAVE BROAD MANDATE TO OVERSEE THE WHOLE OF PERTAMINA'S OPERATIONS. THERE IS NO INDICATION WHO WILL HEAD THIS POSITION ALTHOUGH GEN. HASAN HABIB IS A LEADING CANDIDATE. THE DECREE AUTHORIZES PERTAMINA TO BECOME INVOLVED IN ONLY THOSE JOINT-VENTURE ACTIVITIES WHICH DIRECTLY RELATE TO OIL AND GAS EXPLOITATION. IT IS SEEN AS A FURTHER ATTEMPT BY THE GOI TO CURTAIL GEN. IBNU'S ROLE IN PERTAMINA. IBNU HIMSELF IS CURRENTLY BACK AT HIS DESK IN JAKARTA, DRIVING HIS STAFF HARD IN WHAT SEEMS AN INCREASINGLY HOPELESS FIGHT TO REVERSE THE TIDE AGAINST HIM. CONFIDENTIAL

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28. REVISION OF OIL AGREEMENTS - SUHARTO'S BUDGET MESSAGE CONTAINED SURPRISE ANNOUNCEMENT THAT THE GOVERNMENT PLANS TO INCREASE OIL REVENUES "THROUGH REDUCTION OF PROFITS GAINED BY OIL COMPANIES." THE PRESIDENT ASKED THE COMPANIES FOR THEIR "UTMOST UNDERSTANDING" OF THE NEW POLICY "WHICH WILL COME INTO FORCE AS OF JANUARY 1, 1976." IN A SUBSEQUENT CLARIFICATION, WIJARSO ADVISED THE EMBASSY THAT THE PRESIDENT'S REMARKS REPRESENTED ONLY A STATEMENT OF GENERAL POLICY WHICH THE GOI WOULD LIKE TO IMPLEMENT FOLLOWING NEGOTIATIONS WITH COMPANIES.

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29. LNG

A. ROUND TWO OF THE FPC HEARINGS ON PACIFIC LIGHTING'S APPLICATION GOT UNDER WAY JANUARY 6. WE UNDERSTAND THERE WILL BE ABOUT A WEEK'S WORTH OF DIRECT TESTIMONY WITH ANOTHER WEEK EXPECTED FOR CROSS-EXAMINATION.

B. JAPAN HAS ANNOUNCED A LOAN OF \$240 MILLION TO BE USED TO COVER COST-OVERRUNS FOR THE CONSTRUCTION OF LIQUEFACTION AND GAS PROCESSING FACILITIES. THE MONEY IS INTENDED FOR USE ON THE BADAQ PROJECT (HUFFCO) ONLY. THIS LOAN REPRESENTS HALF THE AMOUNT IC ORIGINAL INDONESIAN REQUEST. DURING FIRST WEEK OF JANUARY, THE GOI DISPATCHED WIJARSO TO TOKYO FOR DISCUSSIONS WITH THE JAPANESE ON THE POSSIBILITY OF OBTAINING A LARGER AMOUNT. WE UNDERSTAND THE TALKS PRODUCED NO RESULTS.

C. IN RELATED DEVELOPMENTS, WE HAVE RECEIVED REPORTS OF DIFFICULTIES AND CONSTRUCTION DELAYS AT THE ARUN LNG PROJECT CAUSED BY PERTAMINA FINANCIAL PROBLEMS AND COMPOUNDED BY THE FACT THAT THE JAPANESE LOAN WILL NOT BE USED FOR ARUN. THE GOI INTENDS TO PUSH FOR THE EARLY COMPLETION OF ONE GAS TRAIN
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AT BADAQ IN ORDER TO START SALES AND GET A CASH FLOW STARTED. BECHTEL AND MOBIL SOURCES HERE BELIEVE THIS SHIFT IN EMPHASIS WILL RESULT IN THE STRETCHING OUT OF THE CONSTRUCTION TIME-TABLE AT ARUN. THEY DOUBT, HOWEVER, THIS WILL MEAN ANY DRASTIC

CUTBACK IN NUMBER OF THE GAS TRAINS.

30. PRODUCTION - INDONESIAN OIL PRODUCTION CLIMBED TO 1.42 M B/D IN NOVEMBER, THE HIGHEST LEVEL IN 16 MONTHS. OUTPUT WAS UP ABOUT 44,000 B/D OVER OCTOBER WITH IIAPCO, ARCO AND TOTAL SHOWING THE LARGEST INCREASES. JUST-RELEASED ESTIMATES FOR DECEMBER SHOW A DAILY AVERAGE PRODUCTION OF 1.42M B/D. OVERALL 1975 OUTPUT AVERAGED 1.31M B/D, A DECLINE OF 4 PERCENT OVER 1974.

31. LOCOMOTIVES - EMBASSY'S PERIODIC ASSISTANCE TO GENERAL ELECTRIC OVER PAST YEAR HAS CULMINATED IN G.E. RECEIVING LETTER OF INTENT FOR 24 DIESEL LOCOMOTIVE UNDER IBRD FUNDED GOI TENDER. GE ALSO RECEIVED SEPARATE LETTER OF INTENT FOR 21 FOLLOW-ON LOCOMOTIVES REQUIRING EXIM CREDIT.

32. SUGAR MILL TENDER - EVALUATION OF BIDS NEARING COMPLETION FOR SIX NEW GOI SUGAR MILLS (TARGET OF EMBASSY'S CCP SUGAR CAMPAIGN). BOTH US BIDDERS ARE AMONG FINAL GROUP OF FIVE BIDDERS BEING INVITED FOR FINAL REVIEW, DURING NEXT TEN DAYS. RUMORS SUGGEST FRENCH AND DUTCH FIRMS MAY BE ELIMINATED, AND THAT US WILL THEREFORE WIN FIVE MILLS AT APPROXIMATELY \$50 MILLION EACH.

33. BAYU AIR LOSES ROUND ONE - BAYU AIR FAILED EXTRACT RIPOFF ON THE FIRST SHIPMENT OF DOMESTIC SATELLITE EQUIPMENT AND PANAM BROUGHT IN THE SHIPMENT ON SCHEDULE. SUCCESS WAS DUE TO PRESSURE EXERTED BY HUGHES AIRCRAFT THROUGH THE TELECOMMUNICATIONS DIRECTORATE GENERAL. HOWEVER, NEITHER HUGHES NOR PANAM RELISH HAVING TO GO THROUGH THE STRUGGLE AGAIN FOR FUTURE SHIPMENTS (NEXT ONE EXPECTED IN JANUARY). THE SEARCH CONTINUES FOR SOME WAY TO PLACATE BAYU AIR WITHOUT CONTRAVENING U.S. REGULATIONS AND POLICIES.

34. OTHER DEVELOPMENTS. A MEETING OF THE ASIAN SUBGROUP OF THE GROUP OF 77 OPENED IN JAKARTA JAN 14 IN PREPARATION FOR A MEETING OF THE ENTIRE GROUP OF 77 IN MANILA IN FEBRUARY, PRIOR TO 1976 UNCTAD MEETING. GOI SPOKESMEN CONTINUE TO CONFIDENTIAL

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EMPHASIZE THE NEEDS TO FIGHT SMUGGLING AND BOOST TRASTIONAL NON-OIL EXPORTS. THE GOI HAS SENT A NOTE TO THE EMBASSY EXPRESSING CONCERN ABOUT U.S. CONGRESSIONAL PROPOSALS FOR TARISS ON SHRIMP IMPORTS. THE ARYADUTA HOTEL HAS SIGNED A MANAGEMENT CONTRACT WITH HYATT. HEAVY RAINS CAUSE SEVERE FLOODING IN JAKARTA.

USIS ITEMS

DUE TO THE OPENING OF THE NEW RENTED FACILITIES AT THE LEMBAGA, STUDENT ENROLLMENT OF JULY 1975 HAS DOUBLED TO THE PRESENT EN-

ROLLMENT OF 6,250. PROJECTED REGISTRATION BY JULY 1976 IS 7,500.

TVRI AND USIS HAVE AGREED TO COOPERATE TO PRODUCE THREE TV FILMS TO BE MADE IN THE U.S. IN CONJUNCTION WITH THE LAUNCHING OF THE INDONESIAN SATELLITE. THE SAME TVRI CREW WILL ALSO DO TREATMENT OF U.S. SPACE PROGRAM AND ITEMS ON BICENTENNIAL ACTIVITIES.

ITEMS WHICH YOU MAY WISH TO DISCUSS WITH STATE REPRESENTATIVES AT COM OR ON WHICH WE WOULD APPRECIATE REPLY

35. DURING PERIOD JANUARY 29 - FEBRUARY 4, WE SHALL HAVE OVER-

LAPPING VISITS OF MARSHALL GREEN AND CODEL DIGGS (DIGGS PLUS ONE STAFF). GREEN WILL BE HERE 29 JAN TO FEB 4 AND CODEL DIGGS FEB -14. IN VIEW OF THIS AND ON ASSUMPTION YOU WILL DESIRE HOLB OFFICIAL AND/OR UNOFFICIAL DINNERS/RECEPTIONS FOR GREEN AND DIGGS, WE ARE SCHEDULING GREEN FOR TRIP TO EAST JAVA AND BALI FOR FEB 2-3. THIS LEAVES EVENINGS 29, 30 AND 31 JANUARY FREE FOR GREEN, AS WELL AS LUNCHEONS 30 AND 31. FOR DIGGS, EVENINGS FEB 1 AND 2 FREE. COULD YOU LET US HAVE YOUR THOUGHTS ON (A) WHETHER YOU WISH DO ANYTHING, (B) SUGGESTIONS FOR INVITATIONS, IF ANY, AND (C) WHETHER YOU WOULD LIKE ME TO DO SOMETHING FOR ONE OR BOTH OF VISITORS, AND (D) DUE SHORTNESS OF TIME, SHALL WE GO AHEAD ON INVITATIONS PRIOR YOUR RETURN.

36. DEA. BOB FUREY HAS JUST INFORMED US THAT THERE IS PRESENTLY TAKING PLACE WITHIN DEA OF ADVERTISEMENT FOR A SECOND SPECIAL AGENT IN JAKARTA FIELD OFFICE. THIS SECOND POSITION IS DEPENDENT UPON DEPT OF STATE AND HOST COUNTRY APPROVAL, AS WELL AS DEA CONFIDENTIAL

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ORGANIZATIONAL APPROVAL. ADDITIONALLY, SECOND POSITION WILL REQUIRE LANGUAGE PROFICIENCY. FUREY LEARNED OF THIS MATTER THROUGH RECEIPT OF A ROUTINE TELEGRAM AND HAS NO REPEAT NO FURTHER INFO OR BACKGROUND.

37. HOUSING. TO DATE, NO ALLOTMENT OF FUNDS FOR ANY PORTION OF PRAPATTAN IMPROVEMENT PLANS HAS BEEN RECEIVED FROM FBO AGAINST THE REQUIREMENT OF \$108,000 REQUESTED AND APPROVED IN PRINCIPLE, PLUS \$16,000 INFLATIONARY INCREASE. ALSO, NO WORD FROM FBO HAS BEEN RECEIVED REGARDING \$77,000 FOR CONVERSION OF GUEST HOUSE INTO MARINE HOUSE. FBO INDICATED EARLIER THEY WERE AWAITING WORD REGARDING COSTS OF SECURITY IMPROVEMENTS BEFORE MAKING FINAL DISTRIBUTION OF MONEY FOR CURRENT FISCAL YEAR. OUR ESTIMATE OF \$24,000 FOR IMPROVEMENTS FOR CHANCERY SECURITY WAS SENT DEPARTMENT IN MID-DECEMBER.

38. ALWX ALATAS. HIS FINAL DEPARTURE DATE NOT REPEAT NOT

YET CERTAIN BUT SHORTLY AFTER YOUR RETURN. DO YOU STILL WISH
TO OFFER HIM FAREWELL DINNER AND, IF SO, SHOULD I ASK HIM TO
SUGGEST A DATE?
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Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, ECONOMIC DEVELOPMENT, HUMAN RIGHTS, BUDGETS, POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Draft Date: 16 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976JAKART00694
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760016-1180
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760150/aaaabsoo.tel
Line Count: 551
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 05 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 MAY 2004 by BoyleJA>; APPROVED <31 AUG 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SIGNIFICANT DEVELOPMENTS AND COMMENTS RE INDONESIA SINCE DECEMBER 9, 1975
TAGS: PFOR, MASS, ID
To: CINCPAC
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006